

**CITY OF ORCHARD LAKE VILLAGE**  
**OAKLAND COUNTY, MICHIGAN**

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**Report on Audit of Accounts**  
**June 30, 2008**

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## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

## TABLE OF CONTENTS

	<u>Page</u>
Table of Contents.....	1
 <u>FINANCIAL SECTION</u> 	
Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements For The Year Ended June 30, 2008:	
Statement of Net Assets.....	7
Statement of Activities.....	8
Fund Financial Statements For The Year Ended June 30, 2008:	
Balance Sheet - Governmental Funds.....	9
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities .....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Statement of Net Assets - Proprietary Funds.....	13
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds .....	14
Statement of Cash Flows - Proprietary Funds.....	15
Statement of Assets and Liabilities - Agency Funds.....	16
Notes to the Financial Statements.....	17
Required Supplemental Information:	
Budgetary Comparison Schedules:	
General Fund.....	33
Major Road Fund.....	37
Local Road Fund.....	38
Other Supplemental Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Non-major Governmental Funds .....	39
Combining Balance Sheet - Non-major Governmental Funds - Special Revenue Funds .....	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds .....	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds - Special Revenue Funds.....	42

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50  
YEARS  
1954-2004

## MEMBERS

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MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Members of the Council  
City of Orchard Lake Village  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Orchard Lake Village, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Orchard Lake Village, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orchard Lake Village, Michigan, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orchard Lake Village, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

*Janz & Knight, PLC*

Certified Public Accountants

Bloomfield Hills, Michigan

November 10, 2008

June 30, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Orchard Lake Village's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$17,447,609 at the close of the year ended June 30, 2008. This represents an increase of \$1,439,480 or a 9% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net assets increased \$444,646. This increase was primarily the result of assets being capitalized that will be expensed as depreciation over their useful lives and principal paid on long term debt. The business-type activity had an increase of \$994,834 in net assets. A large part of this increase was from debt charges for sewer construction. The revenue from these charges are recognized in the current year but the cost will be spread over the life of the sewer system as depreciation.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2008 and 2007:

Table 1  
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>						
Current and other assets	\$ 1,876,097	\$ 1,866,268	\$ 3,015,613	\$ 3,406,714	\$ 4,891,710	\$ 5,272,982
Capital assets, net	<u>6,352,493</u>	<u>6,256,332</u>	<u>15,959,724</u>	<u>16,386,265</u>	<u>22,312,217</u>	<u>22,642,597</u>
Total assets	\$ 8,228,590	\$ 8,122,600	\$18,975,337	\$19,792,979	\$27,203,927	\$27,915,579
<b>LIABILITIES AND NET ASSETS</b>						
Current and other liabilities	\$ 248,694	\$ 292,350	\$ 151,558	\$ 66,375	\$ 400,252	\$ 358,725
Long term debt outstanding	<u>1,610,000</u>	<u>1,905,000</u>	<u>7,746,066</u>	<u>9,643,725</u>	<u>9,356,066</u>	<u>11,548,725</u>
Total liabilities	\$ 1,858,694	\$ 2,197,350	\$ 7,897,624	\$ 9,710,100	\$ 9,756,318	\$11,907,450
Net assets:						
Invested in capital assets, net of related debt	4,742,493	4,351,332	8,280,756	6,825,242	13,023,249	11,176,574
Restricted	177,252	168,153	262,740	252,071	439,992	420,224
Unrestricted	<u>1,450,151</u>	<u>1,405,765</u>	<u>2,534,217</u>	<u>3,005,566</u>	<u>3,984,368</u>	<u>4,411,331</u>
Total net assets	\$ 6,369,896	\$ 5,925,250	\$11,077,713	\$10,082,879	\$17,447,609	\$16,008,129
Total liabilities and net assets	\$ 8,228,590	\$ 8,122,600	\$18,975,337	\$19,792,979	\$27,203,927	\$27,915,579

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2008

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled \$439,992. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2008 and 2007:

Table 2  
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenue:						
Charges for services	\$ 225,229	\$ 210,818	\$ 1,000,649	\$ 1,022,922	\$ 1,225,878	\$ 1,233,740
Operating grants and contributions	180,241	160,941			180,241	160,941
Capital grants and contributions	52,215	4,744	438,193	369,439	490,408	374,183
General revenue:						
Property taxes	2,412,324	2,317,697	1,112,080	1,151,064	3,524,404	3,468,761
State shared revenue	175,819	177,106			175,819	177,106
Interest income	97,319	126,220	157,651	201,079	254,970	327,299
Franchise fees	45,430	43,635			45,430	43,635
Miscellaneous			81,462		81,462	
Sale of fixed assets	6,608	3,808			6,608	3,808
Total revenue	\$ 3,195,185	\$ 3,044,969	\$ 2,790,035	\$ 2,744,504	\$ 5,985,220	\$ 5,789,473
Program expenses:						
General government	523,530	479,012			523,530	479,012
Public safety	1,342,111	1,388,136			1,342,111	1,388,136
Public works	628,748	599,783			628,748	599,783
Community and economic development	16,644	19,699			16,644	19,699
Health and welfare	12,909	2,000			12,909	2,000
Culture and recreation	146,519	130,314			146,519	130,314
Interest on long term debt	80,078	92,812			80,078	92,812
Sewer and water			1,795,201	1,771,228	1,795,201	1,771,228
Total program expenses	\$ 2,750,539	\$ 2,711,756	\$ 1,795,201	\$ 1,771,228	\$ 4,545,740	\$ 4,482,984
Increase in net assets	\$ 444,646	\$ 333,213	\$ 994,834	\$ 973,276	\$ 1,439,480	\$ 1,306,489
Net assets - beginning of year	5,925,250	5,592,037	10,082,879	9,109,603	16,008,129	14,701,640
Net assets - end of year	\$ 6,369,896	\$ 5,925,250	\$ 11,077,713	\$ 10,082,879	\$ 17,447,609	\$ 16,008,129

As shown in the above table total revenues were approximately \$6.0 million, of which 59% was obtained from property taxes, 21% for fees charged for services and 3% for state shared revenues. Total expenses were approximately \$4.5 million, of which 30% was for public safety, 14% for public works and 40% for sewer and water.

#### Business Type Activities

The City's business-type activities consists of the Sewer and Water Fund. The City provides sewer and water service to approximately 1,000 water units and approximately 1,100 sewer units.

#### The City Funds

The analysis of the City's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2008 include the General Fund, Major Road Fund, Local Road Fund, and the Debt Service Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$2,339,000. Of this revenue, 82% was from property taxes, and 8% was from state sources. Total expenditures for the year were approximately \$2,240,000. Of these expenditures, 43% was for public safety, 15% was for public works, and 19% was for general government. At June 30, 2008 the unreserved fund balance of \$990,086 represented 44% of the total General Fund expenditures for the year.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2008

The City Funds (continued)

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2008 was \$19,882.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2008 was \$110,191.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2008 was \$4,794.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. St. Mary's Security and fines and tax penalties were amended to reflect increases. Restricted sanctuary contributions and related expenditures were amended to reflect an increase in contributions. Green Vision revenue and related expenditures were increased to reflect increased activity. Interest on investments was decreased to reflect falling interest rates. Retirement plan expenditures were amended to reflect an increase in employer contribution rates. Legal fees, police salaries and deferred compensation match were amended to reflect additional costs incurred with contract negotiations. Repairs and maintenance and Tri-Party expenditures were amended to reflect higher than anticipated costs. Utilities, police office supplies and L.E.I.N., dispatch and insurance were amended to reflect lower than anticipated costs. Employee health insurance costs were reduced to reflect a change in policy.

Total revenues were approximately \$2,500 below budgeted amounts. Total expenditures were approximately \$43,300 below budgeted amounts.

Capital Asset and Debt Administration

At the end of June 30, 2008, the City had \$22,312,217 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer and water lines.

Major expenditures for capital assets during the year included the following:

1. Road improvements - \$150,100;
2. Police vehicle - \$19,900;
3. Building improvements - \$33,300.

Long-Term Debt

The City's total indebtedness at June 30, 2008 was \$9,356,065 (net of compensated absences). The City maintains an "AA-" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.

Economic Factors and Next Year's Budgets and Rates

The City's 2009 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2009 are as follows:

	2009 Mills Levied	2008 Mills Levied
Operations:		
General operations	4.47	4.48
Library	0.30	0.30
Debt service:		
Water	0.285	0.683
Sewer	2.420	2.190
Sanctuary	1.020	0.973

Property tax revenues are expected to increase slightly. This is the result of expected increases in taxable value within the City. State shared revenues are expected to increase slightly despite the economic conditions in the State of Michigan. The building department permit revenue is expected to be slightly lower than last year, but still significantly less than previous years due to the economic conditions in Michigan.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2008

Expenditures

Payroll expenditures are expected to increase to reflect approved wage increases. Employee benefits (health insurance and retirement contributions) are expected to increase to reflect premium and rate increases. The City has approved a transfer for retiree health insurance, recognizing the City's future liability. Election costs are expected to increase due to the election. Legal fees are expected to reduce to prior year levels since there will be no union negotiations.

The 2009 General Fund budget is balanced, using approximately \$19,200 of prior year fund balance. The projected General Fund fund balance at June 30, 2009 is approximately \$1,004,600 which represents approximated 42% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the City Office, at the City of Orchard Lake Village, 3955 Orchard Lake Road, Orchard Lake, Michigan 48323.

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-type Activity	Total
<b>ASSETS</b>			
Cash and cash equivalents . . . . .	\$ 1,784,113	\$ 996,105	\$ 2,780,218
Receivables:			
Trade . . . . .		485,929	485,929
Special assessments . . . . .	11,667	1,131,330	1,142,997
Interest . . . . .		8,300	8,300
Other . . . . .	19,439		19,439
Prepaid expenses . . . . .	23,861	32,530	56,391
Deposits . . . . .	11,550		11,550
Due from other governments . . . . .	25,467	294,321	319,788
Capital assets, net:			
Depreciable . . . . .	1,164,459	15,959,724	17,124,183
Non-depreciable . . . . .	5,188,034		5,188,034
Bond issuance costs, net . . . . .		67,098	67,098
<b>Total assets . . . . .</b>	<b>\$ 8,228,590</b>	<b>\$ 18,975,337</b>	<b>\$ 27,203,927</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable and other liabilities . . . . .	\$ 53,452	\$ 72,945	\$ 126,397
Accrued interest . . . . .	11,337	46,381	57,718
Due to other governments . . . . .	30,758		30,758
Internal balances . . . . .	(32,232)	32,232	
Compensated absences . . . . .	185,379		185,379
Noncurrent liabilities:			
Due within one year . . . . .	335,000	1,472,977	1,807,977
Due in more than one year . . . . .	1,275,000	6,273,089	7,548,089
<b>Total liabilities . . . . .</b>	<b>\$ 1,858,694</b>	<b>\$ 7,897,624</b>	<b>\$ 9,756,318</b>
Net assets:			
Invested in capital assets, net of related debt . . . . .	4,742,493	8,280,756	13,023,249
Restricted for:			
Major and local roads . . . . .	130,073		130,073
Capital Projects . . . . .	25,239		25,239
Building Department . . . . .	6,556		6,556
OSLA . . . . .	537		537
Other . . . . .	14,847	262,740	277,587
Unrestricted . . . . .	1,450,151	2,534,217	3,984,368
<b>Total net assets . . . . .</b>	<b>\$ 6,369,896</b>	<b>\$ 11,077,713</b>	<b>\$ 17,447,609</b>
<b>Total liabilities and net assets . . . . .</b>	<b>\$ 8,228,590</b>	<b>\$ 18,975,337</b>	<b>\$ 27,203,927</b>

The attached notes are an integral part of the financial statements.



## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government . . . . .	\$ 523,530	\$ 3,413	\$	\$ 3,587
Public safety . . . . .	1,342,111	179,856	2,166	1,133
Community and economic development . . . . .	16,644			
Public works . . . . .	628,748	41,960	156,566	47,495
Health and welfare . . . . .	12,909		12,909	
Culture and recreation . . . . .	146,519		8,600	
Interest on long term debt . . . . .	80,078			
Total governmental activities . . . . .	\$ 2,750,539	\$ 225,229	\$ 180,241	\$ 52,215
Business-type activity:				
Water and sewer fund . . . . .	1,795,201	1,000,649		438,193
Total primary government . . . . .	\$ 4,545,740	\$ 1,225,878	\$ 180,241	\$ 490,408

## General revenues:

Property taxes . . . . .	
State shared revenues . . . . .	
Interest income . . . . .	
Franchise fees . . . . .	
Miscellaneous . . . . .	
Special item - sale of fixed assets . . . . .	

Total general revenues and special items . . . . .

Changes in net assets . . . . .

Net assets - July 1, 2007 . . . . .

Net assets - June 30, 2008 . . . . .

The attached notes are an integral part of the financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (516,530)	\$	\$ (516,530)
(1,158,956)		(1,158,956)
(16,644)		(16,644)
(382,727)		(382,727)
(137,919)		(137,919)
(80,078)		(80,078)
\$ (2,292,854)	\$	\$ (2,292,854)
	(356,359)	(356,359)
\$ (2,292,854)	\$ (356,359)	\$ (2,649,213)
2,412,324	1,112,080	3,524,404
175,819		175,819
97,319	157,651	254,970
45,430		45,430
	81,462	81,462
6,608		6,608
\$ 2,737,500	\$ 1,351,193	\$ 4,088,693
\$ 444,646	\$ 994,834	\$ 1,439,480
5,925,250	10,082,879	16,008,129
\$ 6,369,896	\$ 11,077,713	\$ 17,447,609

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2008

	General	Major Road Fund	Local Road Fund	Debt Service Fund
<b>ASSETS</b>				
Cash and cash equivalents . . . . .	\$ 939,091	\$ 22,224	\$ 118,437	\$ 5,241
Receivables:				
Special assessments . . . . .				
Other . . . . .	19,439			
Prepaid expenses . . . . .	18,861			
Deposits . . . . .	11,550			
Due from other funds . . . . .	57,308			
Due from other governments . . . . .	25,467			
Total assets . . . . .	<u>\$ 1,071,716</u>	<u>\$ 22,224</u>	<u>\$ 118,437</u>	<u>\$ 5,241</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other liabilities . . . . .	\$ 40,422	\$ 855	\$ 3,211	\$ 447
Deferred revenue . . . . .		1,487	5,035	
Due to other funds . . . . .				
Due to other governments . . . . .	7,500			
Total liabilities . . . . .	<u>\$ 47,922</u>	<u>\$ 2,342</u>	<u>\$ 8,246</u>	<u>\$ 447</u>
Fund balances:				
Reserved:				
Debt service . . . . .				4,794
Capital project . . . . .				
Other . . . . .	33,708			
Unreserved, reported in:				
General Fund . . . . .	990,086			
Special Revenue Funds . . . . .		19,882	110,191	
Total fund balances . . . . .	<u>\$ 1,023,794</u>	<u>\$ 19,882</u>	<u>\$ 110,191</u>	<u>\$ 4,794</u>
Total liabilities and fund balances . . . . .	<u>\$ 1,071,716</u>	<u>\$ 22,224</u>	<u>\$ 118,437</u>	<u>\$ 5,241</u>

The attached notes are an integral part of the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 557,390	\$ 1,642,383
11,667	11,667
5,000	19,439
	23,861
	11,550
	57,308
	25,467
<u>\$ 574,057</u>	<u>\$ 1,791,675</u>

\$ 3,604	\$ 48,539
11,667	11,667
16,285	22,807
23,258	30,758
<u>\$ 54,814</u>	<u>\$ 113,771</u>

	4,794
13,573	13,573
5,000	38,708
	990,086
500,670	630,743
<u>\$ 519,243</u>	<u>\$ 1,677,904</u>
<u>\$ 574,057</u>	<u>\$ 1,791,675</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

Total governmental fund balances. . . . . \$ 1,677,904

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in government activities are not financial  
resources, and are not reported in the governmental funds:

Governmental capital assets . . . . .	\$ 6,877,502	
Less accumulated depreciation . . . . .	<u>(559,403)</u>	6,318,099

Special assessments are expected to be collected over several years, and are not available to pay for current year expenditures. . . . .		11,667
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Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds including related accrued interest. . . . .		(1,806,716)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net assets . . . . .		<u>168,942</u>
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Net assets of governmental activities . . . . .		<u><u>\$ 6,369,896</u></u>
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JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General	Major Road Fund	Local Road Fund	Debt Service Fund
Revenues:				
Taxes . . . . .	\$ 1,919,681	\$	\$	\$ 376,627
Licenses and permits . . . . .	49,592			
Federal sources . . . . .				
State sources . . . . .	181,272	81,504	63,190	
Local sources . . . . .	5,867			
Charges for services . . . . .	37,024			
Fines and forfeitures . . . . .	60,737			
Interest and rents . . . . .	70,753	1,463	2,684	3,008
Other . . . . .	13,911	205	23,295	
Total revenues . . . . .	\$ 2,338,837	\$ 83,172	\$ 89,169	\$ 379,635
Expenditures:				
Current:				
General government . . . . .	417,851			
Public safety . . . . .	965,573			
Community and economic development . . . . .	18,225			
Public works . . . . .	341,535	63,488	202,832	
Health and welfare . . . . .				
Culture and recreation . . . . .	24,254			
Other . . . . .	473,600			
Capital outlay . . . . .	784			
Debt service:				
Principal payments . . . . .				295,000
Interest and fiscal charges . . . . .				82,155
Total expenditures . . . . .	\$ 2,239,822	\$ 63,488	\$ 202,832	\$ 377,155
Excess of revenues over (under) expenditures . . . . .	\$ 99,015	\$ 19,684	\$ (113,663)	\$ 2,480
Other financing sources (uses):				
Operating transfers in . . . . .			101,800	
Operating transfers out . . . . .	(118,000)	(23,800)		
Total other financing sources (uses) . . . . .	\$ (118,000)	\$ (23,800)	\$ 101,800	\$
Excess of revenues and other sources over (under) expenditures and other uses . . . . .	\$ (18,985)	\$ (4,116)	\$ (11,863)	\$ 2,480
Fund balance - July 1, 2007 . . . . .	1,042,779	23,998	122,054	2,314
Fund balance - June 30, 2008 . . . . .	\$ 1,023,794	\$ 19,882	\$ 110,191	\$ 4,794

The attached notes are an integral part of the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 116,016	\$ 2,412,324
86,741	136,333
12,909	12,909
	325,966
	5,867
	37,024
144	60,881
16,332	94,240
48,443	85,854
<hr/>	<hr/>
\$ 280,585	\$ 3,171,398
3,000	420,851
97,547	1,063,120
	16,225
32,446	640,301
12,909	12,909
116,181	140,435
	473,600
	784
	295,000
	82,155
<hr/>	<hr/>
\$ 262,083	\$ 3,145,380
\$ 18,502	\$ 26,018
40,000	141,800
	(141,800)
<hr/>	<hr/>
\$ 40,000	\$
\$ 58,502	\$ 26,018
460,741	1,651,886
<hr/>	<hr/>
\$ 519,243	\$ 1,677,904
<hr/>	<hr/>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - total governmental fund. . . . . \$ 26,018

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures;  
in the statement of activities, these costs are allocated  
over their estimated useful lives as depreciation:

Expenditures for capital assets. . . . .	\$ 175,003	
Current year depreciation. . . . .	(63,301)	111,702

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end. . . . .		11,667
--	--	--------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt). . . . .		295,000
--	--	---------

Accrued interest is recorded in the statement of activities. . . . .		2,077
--	--	-------

Increase in accumulated employee vacation and sick pay are recorded when earned in the statement of activity. . . . .		13,726
--	--	--------

Internal service fund activity is not reported as part of governmental funds; transactions with organizations outside governmental funds are included in the statement of activities . . . .		(15,544)
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Change in net assets of governmental activities. . . . .	\$ 444,646	
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JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.



## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

JUNE 30, 2008

	Business-type Activity- Water and Sewer Fund	Governmental Activity- Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 996,105	\$ 141,730
Receivables:		
Trade . . . . .	485,929	
Special assessments . . . . .	95,000	
Interest . . . . .	8,300	
Prepaid expenses . . . . .	32,530	
Due from other funds . . . . .		3,247
Due from other governments . . . . .	294,321	
Total current assets . . . . .	\$ 1,912,185	\$ 144,977
Noncurrent assets:		
Receivable - special assessments . . . . .	1,036,330	
Capital assets, net . . . . .	15,959,724	34,393
Total noncurrent assets . . . . .	\$ 16,996,054	\$ 34,393
Other assets:		
Bond issuance costs, net . . . . .	67,098	
Total assets . . . . .	\$ 18,975,337	\$ 179,370
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and other liabilities . . . . .	\$ 72,945	\$ 4,913
Accrued interest . . . . .	46,381	
Due to other funds . . . . .	32,232	5,515
Current portion of long term debt . . . . .	1,472,977	
Total current liabilities . . . . .	\$ 1,624,535	\$ 10,428
Noncurrent liabilities:		
Bond payable . . . . .	6,273,089	
Total liabilities . . . . .	\$ 7,897,624	\$ 10,428
Net assets:		
Invested in capital assets, net of related debt . . . . .	8,280,756	34,393
Restricted for improvements . . . . .	262,740	
Unrestricted . . . . .	2,534,217	134,549
Total net assets . . . . .	\$ 11,077,713	\$ 168,942
Total liabilities and net assets . . . . .	\$ 18,975,337	\$ 179,370

The attached notes are an integral part of the financial statements.

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Business-type Activity- Water and Sewer Fund	Governmental Activity- Internal Service Fund
Operating revenue:		
Water and sewer sales . . . . .	\$ 936,608	\$
Water and sewer penalties . . . . .	30,120	
Permit fees - operating . . . . .	9,801	
Water meter maintenance - operating . . . . .	13,295	
Equipment rental . . . . .		99,973
Miscellaneous income . . . . .	10,825	
Total operating revenue . . . . .	\$ 1,000,649	\$ 99,973
Operating expenses:		
Salaries and benefits . . . . .		18,111
Payroll taxes . . . . .		1,385
Repairs and maintenance . . . . .		10,509
Utilities . . . . .		4,272
Gas and oil . . . . .		32,895
Tires . . . . .		2,021
Parts and supplies . . . . .		15,360
Insurance . . . . .		6,800
Cost of water and sewer treatment . . . . .	639,116	
Water installation costs . . . . .	11,391	
Sewer inspection costs . . . . .	1,433	
Water transmission . . . . .	55,847	
Sewer system maintenance . . . . .	12,212	
Sewer pump station maintenance . . . . .	103,628	
Water maintenance service . . . . .	13,282	
General & administrative expenses . . . . .	126,404	
Depreciation and amortization . . . . .	442,145	35,484
Professional fees . . . . .	4,300	800
Miscellaneous . . . . .	2,499	
Total operating expenses . . . . .	\$ 1,412,257	\$ 127,637
Operating income (loss) . . . . .	\$ (411,608)	\$ (27,664)
Nonoperating revenues (expenses):		
Property taxes . . . . .	1,112,080	
Capital charges . . . . .	17,000	
Interest income . . . . .	157,651	4,379
Debt service charge . . . . .	421,193	
Interest expense . . . . .	(363,147)	
Miscellaneous income . . . . .	81,462	1,133
Gain on sale of assets . . . . .		6,608
Reserve for operations . . . . .	(19,797)	
Total nonoperating revenues (expenses) . . . . .	\$ 1,406,442	\$ 12,120
Change in net assets . . . . .	\$ 994,834	\$ (15,544)
Net assets - July 1, 2007 . . . . .	10,082,879	184,486
Net assets - June 30, 2008 . . . . .	\$ 11,077,713	\$ 168,942

The attached notes are an integral part of the financial statements.

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Business-type Activity Water and Sewer Fund	Governmental Activity- Internal Service Fund
Cash flows from operating activities:		
Receipts from customers . . . . .	\$ 882,872	\$ 102,619
Payments to employees . . . . .		(18,111)
Payments to suppliers . . . . .	(900,791)	(71,955)
Net cash provided (used) by operating activities . . . . .	\$ (17,919)	\$ 12,553
Cash flows from capital and related financing activities:		
Collection of customer capital charges . . . . .	17,000	
Collection of special assessment charges . . . . .	129,205	
Collection of property taxes . . . . .	1,139,873	
Collection of debt service charge . . . . .	421,193	
Purchase of fixed assets . . . . .		(19,942)
Proceeds from sale of capital assets . . . . .		6,608
Miscellaneous income . . . . .	48,932	1,133
Principal paid on capital debt . . . . .	(1,897,660)	
Interest paid on capital debt . . . . .	(375,078)	
Reserve for operations . . . . .	(19,797)	
Net cash provided (used) by capital and related financing activities . . . . .	\$ (536,332)	\$ (12,201)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments . . . . .	2,012,000	108,000
Purchase of investments . . . . .	(1,476,148)	
Realized and unrealized gain on sale of investments . . . . .	(17,346)	(868)
Interest income . . . . .	174,151	4,379
Net cash provided (used) by investing activities . . . . .	\$ 692,657	\$ 111,511
Net increase (decrease) in cash and cash equivalents . . . . .	\$ 138,406	\$ 111,863
Cash and cash equivalents - July 1, 2007 . . . . .	857,699	29,867
Cash and cash equivalents - June 30, 2008 . . . . .	\$ 996,105	\$ 141,730
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss) . . . . .	\$ (411,608)	\$ (27,664)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization . . . . .	442,145	35,484
Changes in assets and liabilities:		
(Increase) decrease in receivables . . . . .	(29,825)	
(Increase) decrease in due from other funds . . . . .		(1,278)
(Increase) decrease in due from other governments . . . . .	(87,952)	
Increase (decrease) in accounts payable and other liabilities . . . . .	69,321	2,087
Increase (decrease) in due to other funds . . . . .		3,924
Net cash provided (used) by operating activities . . . . .	\$ (17,919)	\$ 12,553

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS

JUNE 30, 2008

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents. . . . .	\$ 544,897
Total assets . . . . .	<u>\$ 544,897</u>
<b>LIABILITIES</b>	
Deposits payable and other liabilities . . . . .	\$ 544,897
Total liabilities. . . . .	<u>\$ 544,897</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Orchard Lake Village (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Orchard Lake Village.

Reporting Entity

The City of Orchard Lake Village is governed by an elected seven-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust funds).

Propriety Fund

The City reports the following major proprietary fund:

Water and Sewer Fund

The Water and Sewer Fund accounts for the operation, maintenance and distribution of the water and sewage systems administered by Oakland County.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund recognized the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as nonoperating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Internal Service Fund

The City's only internal service fund is the Motor Pool Fund. This fund accounts for the costs of maintaining automobiles and equipment used by various City departments. Costs are billed to the departments for labor and materials.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City is a Home Rule City with a fiscal year beginning July 1 and ending June 30. Summer property taxes are levied on July 1 and become a lien on that date. Summer property taxes are payable between July 1 and September 1, without penalty. Summer taxes paid between September 2 and February 28 are subject to a 4% penalty plus a 1% penalty for each month delinquent. Summer real property taxes delinquent after February 28 are purchased by Oakland County from the City. Winter property taxes are levied on December 1 and become a lien on that date. Winter property taxes are payable between December 1 and February 14 without penalty. Winter taxes paid between February 15 and February 28 are subject to a 4% penalty. Winter real property taxes delinquent after February 28 are purchased by Oakland County from the City.

The 2007 taxable valuation of the City of Orchard Lake Village totaled \$387,197,780, on which ad valorem taxes levied consisted of 4.48 mills for the City of Orchard Lake Village operation purposes, 3.846 mills for debt, .30 mills for library, raising \$1,734,646 for operating, \$1,489,162 for debt, and \$116,159 for library. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, certificates of deposit, savings accounts, and investments in mutual funds. Investments are stated at fair value, which is based on provided market values.

For purposes of the Statement of Cash Flows, the City considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain revenues of the enterprise funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and improvements and replacement of the water and sewer system. These amounts have been classified as restricted net assets.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE A - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets. The City has elected not to retroactively report infrastructure assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	Years
Water and Sewer System	50
Buildings and Improvements	10-50
Vehicles	3-10
Equipment (Police, Highway, Office)	3-25
Roads	20

Compensated Absences (Sick and Vacation Leave)

Sick and vacation pay earned are recognized in the governmental financial statements when they are paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.



CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE B - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the fiscal year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Clerk has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Clerk can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

<u>Fund</u>	<u>Activity</u>	<u>Amended Budget</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Assessing	\$42,700	\$ 49,964	\$ 7,264
Retiree Health Care	Health care		7,800	7,800

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above, except repurchase agreements. The City's deposits and investment policies are in accordance with statutory authority.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE C - Deposits and Investments (continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy requires each financial institution to provide audited financial statements and acknowledge, in writing, receipt of the City's investment policy and agrees to comply with its terms. At year end, the City had \$3,045,117 of bank deposits (certificates of deposit, mutual funds, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy requires investments to be rated as investment grade at time of purchase by not less than one standard rating service and maturing within one year. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy restricts investment maturities as follows:

- 1) Commercial paper which can only be purchased with a 270-day maturity.
- 2) Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two years from the date of purchase.
- 3) Reserve Funds may be invested in securities exceeding two but not more than five years if the maturity of such investments are made to coincide as nearly as practicable with expected use of the funds.
- 4) Investments maturities for operating funds shall coincide with projected cash flow needs, taking into account routine needs as well as considering anticipated revenue.

At year end, the City had no investments with interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's policy further limits its investments to only those that are rated in the highest classification established by not less than two standard rating services. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Money market fund	\$1,735,491	AAAm	S&P
Bank investment pools	431,024	A-1/P1	S&P/Moody's

Concentration of Credit Risk

The City requires that no more than 50% of the total investment portfolio, excluding U.S. Treasury securities and authorized investment pools, be invested with a single financial institution. The City also limits its investments to no more than 10% in any one issue.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,145,717	\$	\$	\$ 5,145,717
Construction in progress	8,417	42,317	8,417	42,317
Subtotal	\$ 5,154,134	\$ 42,317	\$ 8,417	\$ 5,188,034
Capital assets being depreciated:				
Buildings and improvements	803,389	13,356		816,745
Highway equipment	61,906			61,906
General equipment	62,069			62,069
Police equipment	75,226			75,226
Vehicles	313,138	19,942	19,356	313,724
Roads	682,907	127,746		810,653
Subtotal	\$ 1,998,635	\$ 161,044	\$ 19,356	\$ 2,140,323
Less accumulated depreciation for:				
Buildings and improvements	400,882	17,986		418,868
Highway equipment	61,321	585		61,906
General equipment	37,738	4,956		42,694
Police equipment	67,798	5,105		72,903
Vehicles	271,214	29,793	19,356	281,651
Roads	57,484	40,358		97,842
Subtotal	\$ 896,437	\$ 98,783	\$ 19,356	\$ 975,864
Net capital assets being depreciated	\$ 1,102,198	\$ 62,261	\$	\$ 1,164,459
Net capital assets	\$ 6,256,332	\$ 104,578	\$ 8,417	\$ 6,352,493
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$14,827,025	\$	\$	\$14,827,025
Water system	6,500,000			6,500,000
Subtotal	\$21,327,025	\$	\$	\$21,327,025
Less accumulated depreciation for:				
Sewer system	3,434,927	296,541		3,731,468
Water system	1,505,833	130,000		1,635,833
Subtotal	\$ 4,940,760	\$ 426,541	\$	\$ 5,367,301
Net capital assets being depreciated	\$16,386,265	\$ (426,541)	\$	\$15,959,724
Net capital assets	\$16,386,265	\$ (426,541)	\$	\$15,959,724

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE D - Capital Assets (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 19,825
Public safety	22,958
Public works	55,210
Recreation and culture	<u>790</u>
Total governmental activities	\$ 98,783
Business-type activities:	
Water and sewer	\$426,541

Construction Commitments

The City has active construction projects at year-end. The projects include paving of roads and construction of a salt barn. At year-end the City's commitments with contracts are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Roads	\$ 22,360	\$ 300,940
Salt barn	\$ 19,957	\$ 10,043

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2008:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Road	\$ 790
	Local Road	2,485
	Building	11,003
	Paving Special Assessment	283
	Motor Pool	5,515
	Water & Sewer	32,232
	OLSA	<u>5,000</u>
	Total General Fund	\$57,308
Motor Pool Fund	Major Road	697
	Local Road	<u>2,550</u>
	Total Motor Pool	\$ 3,247
	Total interfund receivable	\$60,555

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE E - Interfund Receivables, Payables and Transfers (continued)

Interfund Transfers

<u>Transfer In</u>	<u>Transfers (Out)</u>		
	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Total</u>
Local Road Fund	\$ 78,000	\$23,800	\$101,800
Retiree Healthcare Fund	40,000		40,000
Total	\$ 118,000	\$23,800	\$141,800

Transfers from General Fund to Local Road Fund are to subsidize the future costs of road improvements.

Transfers from the Major Road Fund are to subsidize the future costs of road improvements.

Transfers from the General Fund to the Retiree Healthcare Fund are to establish a new fund for future liabilities related to healthcare for retirees.

NOTE F - Long-Term Debt

The following is a summary of general long-term debt of the City for the year ended June 30, 2008:

	<u>General Obligation</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2007	\$1,905,000	\$ 199,105	\$2,104,105
Principal retirements	(295,000)		(295,000)
Decrease in obligation for compensate absences		(13,726)	(13,726)
Balance at June 30, 2008	\$1,610,000	\$ 185,379	\$1,795,379

The following is a summary of long-term debt transactions of the City's Enterprise Fund for the year ended June 30, 2008:

	<u>General Obligation Bonds</u>
Balance at July 1, 2007	\$ 9,643,725
Principal retirement	(1,897,660)
Balance at June 30, 2008	\$ 7,746,065

General Long-Term Debt - Bonds Payable

On February 12, 1992, general obligation bonds in the amount of \$3,450,000 were sold for the purpose of acquiring the Nature Sanctuary property. As noted below there was a defeasance of \$2,755,000 of this debt during 1998.

On April 23, 1998, general obligation bonds in the amount of \$2,985,000 were sold for the purpose of retiring \$2,755,000 of the Nature Sanctuary debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued)

General Long-Term Debt - Bonds Payable (continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$447,742, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$298,766. Schedule of principal and interest payments are as follows:

Year	Due November 1		Due May 1	
	Principal	Interest	Total	Interest
2008	\$ 335,000	\$ 37,284	\$ 372,284	\$
2009	385,000	29,663	414,663	29,663
2010	430,000	20,808	450,808	20,808
2011	460,000	10,810	470,810	10,810
	\$1,610,000	\$ 98,565	\$1,708,565	\$ 61,281

The bonds bear interest at a rate of 3.75% to 4.7%.

Compensated Absences

Accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts accumulated that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

Enterprise Fund - Bonds Payable

Bonds payable at June 30, 2008 are comprised of the following individual issues:

Pursuant to an election held November 7, 1989 the electorate of the City authorized the issuance of bonds in an amount not to exceed \$9,300,000 for the purpose of defraying part of the cost of acquiring and constructing a sanitary sewage collection and disposal system. Taxes imposed by the City are not subject to limitation as to rate or amount pursuant to the November 7, 1989 election.

On October 17, 1990, bonds in the amount of \$2,135,000 were sold at public sale by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. These bonds are part of the \$9,300,000 voter approved authorization. As noted below there was a defeasance of \$1,650,000 of this debt during 1999.

On April 12, 1994, sewage disposal bonds in the amount of \$5,065,000 were sold by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. These bonds are part of the \$9,300,000 voter approved authorization. As noted below there was a defeasance of \$3,510,000 of this debt during 1999.

On February 14, 1994 the City Council approved the borrowing of up to \$5,500,000 additional to complete the sewer construction project. On April 12, 1994, sewage disposal bonds in the amount of \$5,500,000 were sold by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. As noted below there was a defeasance of \$3,945,000 of this debt during 1999.

On April 8, 1993, sewage disposal bonds in the amount of \$2,100,000 were sold by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. These bonds are part of the \$9,300,000 voter approved authorization. As noted below there was a defeasance of \$1,290,000 of this debt during 2004.

On September 29, 1999, general obligation bonds in the amount of \$9,770,000 were sold by Oakland County for the purpose of retiring \$9,105,000 of the sewage disposal debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued)

Enterprise Fund - Bonds Payable (continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$503,026, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$273,245. Schedule of principal and interest payments are as follows:

Year	Due November 1		Total	Due May 1	
	Principal	Interest		Principal	Interest
2008	\$ 900,000	\$ 113,351	\$ 1,013,351	\$	
2009	955,000	91,751	1,046,751	91,751	
2010	1,015,000	68,354	1,083,354	68,354	
2011	820,000	42,979	862,979	42,979	
2012	865,000	22,274	887,274	22,274	
	\$4,555,000	\$ 338,709	\$ 4,893,709	\$ 225,358	

The bonds bear interest at a rate of 3.75% to 4.70%.

During the year ended June 30, 1992 the Oakland County Drain Commission issued Evergreen - Farmington Sewage Disposal bonds for permanent meter and interceptor rehabilitation. The City's allocated share of these bonds was \$31,545. On August 1, 2001 the County refunded this debt. As a result of this the scheduled payments between the City and County have been modified. Schedule of remaining principal and interest payments are as follows:

Year	Due May 1		Total	Due November 1	
	Principal	Interest		Principal	Interest
2008	\$	\$	\$	\$	114
2009	2,977	113	3,090		54
2010	3,088	55	3,143		
	\$ 6,065	\$ 168	\$ 6,233	\$	168

The bonds bear interest at a rate of 3.5%.

Pursuant to an election held November 6, 1990 the electorate of the City authorized the issuance of bonds in an amount not to exceed \$6,000,000 for the purpose of defraying part of the cost of acquiring and constructing a water supply system. Taxes imposed by the City are not subject to limitation as to rate or amount pursuant to the November 6, 1990 election.

On April 12, 1994, water supply bonds in the amount of \$3,750,000 were sold by Oakland County. These bonds are part of the \$6,000,000 voter approved authorization. As noted below there was a defeasance of \$2,605,000 of this debt during 2003.

On May 1, 2003, general obligation bonds in the amount of \$2,770,000 were sold by Oakland County for the purpose of retiring \$2,605,000 of the water supply debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE F - Long-Term Debt (continued)

Enterprise Fund - Bonds Payable (continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$366,975, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$313,307. Schedule of principal and interest payments are as follows:

Year	Due November 1			Due May 1	
	Principal	Interest	Total	Interest	
2008	\$ 255,000	\$ 25,601	\$ 280,601	\$	
2009	265,000	22,350	287,350	22,350	
2010	275,000	18,508	293,508	18,508	
2011	280,000	14,039	294,039	14,039	
2012	285,000	9,139	294,139	9,139	
2013	210,000	3,937	213,937	3,937	
	\$1,570,000	\$ 93,574	\$ 1,663,574	\$ 67,973	

The bonds bear interest at a rate of 1.50% to 3.75%.

On April 8, 1993 water supply bonds in the amount of \$2,250,000 were sold by Oakland County. These bonds are part of the \$6,000,000 voter approved authorization. As noted below there was a defeasance of \$1,350,000 for debt during 2004.

On January 8, 2004, general obligation bonds in the amount of \$2,770,000 were sold by Oakland County for the purpose of retiring \$2,640,000 of the sewer and water supply debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

As a result of the advance refunding, the City reduced its total debt service requirements by \$275,578, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$246,061. Schedule of principal and interest payments are as follows:

Year	Due November 1			Due May 1	
	Principal	Interest	Total	Interest	
2008	\$ 315,000	\$ 23,106	\$ 338,106	\$	
2009	305,000	19,563	324,563	19,563	
2010	330,000	15,750	345,750	15,750	
2011	340,000	11,212	351,212	11,212	
2012	325,000	5,687	330,687	5,688	
	\$1,615,000	\$ 75,318	\$ 1,690,318	\$ 52,213	

The bonds bear interest at a rate of 2.00% to 3.50%.

The amounts necessary to amortize the debt described above for years subsequent to June 30, 2008 (excluding compensated absences) are as follows:

Year ending June 30, .....	General Long-Term Debt		Enterprise Fund	
	Principal	Interest	Principal	Interest
2009	\$ 335,000	\$ 66,947	\$ 1,472,977	\$ 295,949
2010	385,000	50,471	1,528,088	236,385
2011	430,000	31,618	1,620,000	170,842
2012	460,000	10,810	1,440,000	105,331
2013			1,475,000	41,037
2014			210,000	3,937
	\$ 1,610,000	\$ 159,846	\$ 7,746,065	\$ 853,481



CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE G - Retirement Plans

Defined Contribution Plan:

Effective January 1, 2000, the City established a defined contribution pension plan for all new full-time police employees, administered by ICMA. A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual accounts are to be determined instead of specifying the amount of benefit the individual is to receive. Participants become one-hundred percent vested after seven years of service. In a defined contribution plan benefits depend solely on amounts contributed to the plan plus investment earnings. City contributions are calculated on an employee's base salary at a rate of 15%, in accordance with the terms of negotiated labor contracts. Employees may make additional voluntary contributions to the plan.

In accordance with these requirements, the City contributed \$27,179 during the current year.

Deferred Compensation Plan:

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balance and activities are not reflected in the City's financial statements. Beginning July 1, 2007 the City will match up to a maximum of \$1,500 each year for employees in the police union with more than 15 years of service. In accordance with these requirements, the City contributed \$3,550 during the current year.

Defined Benefit Plan:

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance; disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. All City full-time employees are eligible to participate in the system. General employees who retire after age 55 with 10 years of credited service are entitled to a retirement benefit, payable for life, equal to 2.0% of their 5-year final average compensation (FAC). Police employees, appointed officials and building official are also eligible for these retirement benefits but are equal to 2.5% of their FAC, with a maximum benefit of 80% of FAC. Vested employees may retire after age 50 and receive reduced retirement benefits. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the City and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1951 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit or personnel policy. The City is required to contribute at an actuarially determined rate; the current rate was 13.38% of annual covered payroll for appointed officials, and 11.82% for building official; the general and police employees contribute monthly \$2,486 and \$4,793, respectively. The clerk, building official and police are required to contribute 2.5% of their pay.

During the fiscal year ended June 30, 2008, the City's annual pension cost of \$109,013 was made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal cost funding method. The amortization period is closed for general and police employees; open for appointed and building official.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE G - Retirement Plans (continued).

Defined Benefit Plan (continued)

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over 28 years, with a gradual reduction to 25 years for open divisions.

Three Year Trend Information for GASB Statement No. 27:

Fiscal Period Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$ 85,904	100%	\$ -0-
June 30, 2007	99,645	100%	-0-
June 30, 2008	109,013	100%	-0-

Required Supplementary Information for GASB Statement No. 27:

Actuarial Valuation Date	Actuarial value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAA)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll (b-a)/(c)
December 31,	(a)	(b)	(b-a)			(b-a)/(c)
2005	\$ 2,745,692	\$ 3,642,374	\$ 896,682	75.4%	\$704,441	127.3%
2006	2,975,029	3,889,231	914,202	76.5%	732,677	124.8%
2007	3,250,331	3,940,445	690,114	82.5%	736,434	93.7%

NOTE H - Post Employment Benefits

The City provides hospitalization insurance coverage for employees (and their spouses) who retire under the Michigan Employees Retirement System. To qualify, the employee must retire at or after age 55 and complete at least ten (10) years of employment with the City.

The coverage for retired employees who were under the American Federation of State, County and Municipal Employees union contract is as follows. Coverage shall be provided until the retired employee attains age 65 or until he (she) becomes eligible for Medicare under the Federal Social Security Program, whichever occurs first. In addition to this, the City will contribute \$200 per employee and per spouse each month toward the supplemental coverage cost for retired employees who have become eligible for Medicare. The City's cost of coverage for a retired employee shall be limited to the required premium for such retired employee and their spouse, if any.

The coverage for retired employees who were under the Police Officers Labor Council union contract is as follows. Coverage shall be provided until the retired employee attains age 65 or until he (she) becomes eligible for Medicare under the Federal Social Security Program, whichever occurs first. Coverage shall be provided for the employee's spouse until the spouse attains age 65 or until the spouse becomes eligible for Medicare under the Federal Social Security Program, whichever occurs first, but in no case shall coverage be provided for a period longer than three (3) years from the date the employee is eligible for Medicare. In addition to this, the City will contribute \$200 per employee and per spouse each month toward the supplemental coverage cost for retired employees who have become eligible for Medicare.

The City's cost of retiree health care benefits is recognized as an expense in the year the hospitalization insurance coverage applies to. This totaled \$7,800 for the year ended June 30, 2008 and covered three retired employees.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE I - Fire Protection Agreement

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each of the cities. Any city may withdraw from this agreement as of the last day of the term, or at any time upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2008, the Tri-City Fire Department has a fund surplus with assets being accumulated for future acquisitions. As included in the General Fund statement of expenditures, during the year ended June 30, 2008, \$224,869 was paid for fire protection to the Tri-City Fire Department. Financial statements of the Tri-City Fire Department are available for review at the fire hall.

NOTE J - Historical Society Lease Agreement

The City has renewed its lease agreement with the Greater West Bloomfield Historical Society to lease the old City Hall facilities for an annual amount of \$1,200. The lease automatically renews unless cancelled by either party.

NOTE K - Refuse Contract

The City has entered into a contract with Allied Waste Services for refuse pickup and disposal. The length of the contract is for 36 months, effective July 1, 2006 and runs through June 30, 2009. Monthly charges will be based on residential units serviced. The monthly charge per residential unit for the first year of the contract is \$13.22, \$13.75 for the second year and \$14.30 for the third year of the contract.

NOTE L - Library Services

The City has a contract with West Bloomfield Township Public Library to provide library services to residents of the City. Property owners of the City are assessed .3 mill for library services and the City is required to pay this amount (.3 mill) to West Bloomfield Township Public Library. The contract covers the period December 1, through November 30th of each year and is renewed automatically unless cancelled by six months written notice prior to the end of the current year period.

NOTE M - Trust and Agency Fund

The Trust and Agency Fund cash balance is composed of the following accounts at June 30, 2008:

Building bond	\$ 38,453
Water quality improvement	15,569
Tax collection	489,216
Site plan review	1,659
Total cash	\$544,897

NOTE N - Equipment Rental

On July 1, 1981, a Motor Pool Fund was established to account for the operation of the City's automotive and highway use equipment. Equipment with a cost of \$252,181 was contributed to the Motor Pool Fund from the General Fixed Assets. Rent is charged to the General Fund and Major and Local Road Funds on a cost reimbursement basis. For the year ended June 30, 2008, the Motor Pool Fund received rental income of \$62,100 from the General Fund, \$20,650 from the Local Road Fund and \$16,985 from the Major Road Fund.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE Q - Cable Joint Venture

The City participates in an annual programming grant that Comcast Cable provides. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

NOTE P - Litigation and Contingent Liabilities

The City is defendant in various litigations. The City's attorney and management are of the opinion that any potential liability resulting from these cases, either can not be determined or should be within the insurance coverage of the City, therefore, is not reflected in the financial statements.

NOTE Q - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health, dental and life claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE R - Reserved Fund Balances

Fund balances have been reserved for the following purposes:

	General Fund	OLSA Fund
Transportation	\$ 7,982	\$
Nature sanctuary	6,865	
Workers compensation insurance	18,861	
Weed Harvesting	<u>      </u>	<u>5,000</u>
	\$33,708	\$5,000

REQUIRED SUPPLEMENTAL INFORMATION

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes:				
Current levy - general . . . . .	\$ 1,736,979	\$ 1,732,600	\$ 1,738,473	\$ 5,873
Interest and penalty on delinquent taxes . . . . .	35,000	76,900	76,912	12
Collection fees. . . . .	100,000	104,300	104,296	(4)
	<u>\$ 1,871,979</u>	<u>\$ 1,913,800</u>	<u>\$ 1,919,681</u>	<u>\$ 5,881</u>
Licenses and permits:				
General licenses . . . . .	1,100	1,500	1,535	35
Cable T.V. . . . .	43,000	45,000	45,430	430
Lawn fertilizer fees . . . . .	2,400	2,550	2,550	
Other. . . . .	50	75	77	2
	<u>\$ 46,550</u>	<u>\$ 49,125</u>	<u>\$ 49,592</u>	<u>\$ 467</u>
Federal sources - grants . . . . .		7,500		(7,500)
State sources:				
Sales tax. . . . .	174,000	173,000	173,107	107
Liquor licenses. . . . .	1,500	2,700	2,712	12
SMART. . . . .	3,582	3,580	3,587	7
Criminal justice training. . . . .	1,700	1,850	1,866	16
	<u>\$ 180,782</u>	<u>\$ 181,130</u>	<u>\$ 181,272</u>	<u>\$ 142</u>
Local sources:				
Tri-Party funds. . . . .	6,000	5,850	5,867	17
Charges for services:				
St. Mary's security. . . . .	20,200	25,150	25,174	24
Green Vision program . . . . .	7,500	10,550	10,540	(10)
Weed cutting . . . . .	500	1,300	1,310	10
	<u>\$ 28,200</u>	<u>\$ 37,000</u>	<u>\$ 37,024</u>	<u>\$ 24</u>
Fines and forfeits:				
Fines - 48th district court. . . . .	50,000	56,200	56,215	15
Parking violations . . . . .	2,000	1,700	1,780	80
Other. . . . .	2,500	2,600	2,742	142
	<u>\$ 54,500</u>	<u>\$ 60,500</u>	<u>\$ 60,737</u>	<u>\$ 237</u>
Interest and rentals:				
Interest on investments. . . . .	90,000	71,000	69,453	(1,547)
Room rental. . . . .	1,400	1,300	1,300	
	<u>\$ 91,400</u>	<u>\$ 72,300</u>	<u>\$ 70,753</u>	<u>\$ (1,547)</u>
Other:				
Contributions. . . . .	4,000	8,900	8,900	
Reimbursements and refunds . . . . .	800	3,200	2,898	(302)
Miscellaneous. . . . .	2,000	2,050	2,113	63
	<u>\$ 6,800</u>	<u>\$ 14,150</u>	<u>\$ 13,911</u>	<u>\$ (239)</u>
Total revenues . . . . .	<u>\$ 2,286,211</u>	<u>\$ 2,341,355</u>	<u>\$ 2,338,837</u>	<u>\$ (2,518)</u>

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures:				
General government:				
Elections:				
Fees and per diem. . . . .	\$ 1,000	\$ 775	\$ 717	\$ 58
Supplies . . . . .	1,500	1,500	1,243	257
Legal notices. . . . .	750	600	748	(148)
	<u>\$ 3,250</u>	<u>\$ 2,875</u>	<u>\$ 2,708</u>	<u>\$ 167</u>
Assessing:				
Assessor and assistant . . . . .	45,000	37,200	45,004	(7,804)
Supplies . . . . .	3,000	2,000	1,613	387
Data processing and personal property assessing. . . . .	3,500	3,500	3,347	153
	<u>\$ 51,500</u>	<u>\$ 42,700</u>	<u>\$ 49,964</u>	<u>\$ (7,264)</u>
Legal fees . . . . .	52,400	98,400	83,335	15,065
Clerk:				
Salaries . . . . .	161,900	168,900	168,790	110
Postage. . . . .	9,000	7,600	7,512	88
Office supplies and equipment. . . . .	3,250	2,475	2,164	311
Printing . . . . .	2,000	1,300	1,129	171
Legal notices. . . . .	3,500	3,200	3,274	(74)
Payroll service fee. . . . .	2,000	2,800	2,408	392
Miscellaneous. . . . .	3,350	3,550	3,526	24
	<u>\$ 185,000</u>	<u>\$ 189,825</u>	<u>\$ 188,803</u>	<u>\$ 1,022</u>
Audit:				
Audit fees . . . . .	6,500	6,700	6,700	
Consultations. . . . .	1,500	1,915	1,915	
	<u>\$ 8,000</u>	<u>\$ 8,615</u>	<u>\$ 8,615</u>	<u>\$</u>
City Hall and grounds:				
Telephone. . . . .	3,750	3,000	2,564	436
Utilities. . . . .	11,000	8,600	8,390	210
Custodial and cleaning supplies. . . . .	5,600	6,025	5,871	154
Repairs and maintenance. . . . .	52,700	56,500	54,911	1,589
Administrative . . . . .	8,000	8,800	8,750	50
Equipment rental . . . . .	2,000	4,000	3,940	60
	<u>\$ 83,050</u>	<u>\$ 86,925</u>	<u>\$ 84,426</u>	<u>\$ 2,499</u>
Total general government . . . . .	\$ 383,200	\$ 429,340	\$ 417,851	\$ 11,489

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (continued):				
Public safety:				
Police department:				
Salaries . . . . .	572,537	574,489	578,424	(3,935)
Clerical . . . . .	32,817	35,200	36,387	(1,187)
Deferred compensation match. . . . .		4,300	3,550	750
Court expenses . . . . .	250			
Police supplies. . . . .	750	1,300	1,248	52
Uniform allowance. . . . .	10,000	10,000	10,707	(707)
Equipment rental . . . . .	34,200	34,200	34,200	
Maintenance and repairs - radios . . . . .	200	75	65	10
Weapons training . . . . .	4,850	4,800	4,750	50
Office supplies and L.E.I.N. . . . .	15,000	12,500	10,227	2,273
Dispatch . . . . .	59,000	55,000	54,761	239
Criminal justice training. . . . .	4,000	4,150	4,120	30
Miscellaneous and tuition. . . . .	3,000	2,500	2,265	235
	\$ 736,604	\$ 738,514	\$ 740,704	\$ (2,190)
Fire protection (Tri-City Fire Department):				
Fire protection agreement (Note 1) . . . . .	224,910	224,875	224,869	6
Total public safety. . . . .	\$ 961,514	\$ 963,389	\$ 965,573	\$ (2,184)
Community and economic development:				
Planning Commission:				
Planner fees . . . . .	15,250	15,250	14,112	1,138
Clerical wages . . . . .	3,000	1,125	984	141
Corridor study . . . . .	250	250	250	
Supplies and notices . . . . .	500	650	564	86
	\$ 19,000	\$ 17,275	\$ 15,910	\$ 1,365
Environmental consultant . . . . .	1,500	500	315	185
Total community and economic development. . . . .	\$ 20,500	\$ 17,775	\$ 16,225	\$ 1,550
Public works:				
Public works department:				
Salaries and wages . . . . .	120,550	122,010	117,649	4,361
Equipment rental . . . . .	27,900	27,900	27,900	
Garage supplies. . . . .	3,500	3,700	3,529	171
Uniform allowance. . . . .	1,950	1,625	1,625	
Miscellaneous. . . . .	1,550	1,650	1,650	
	\$ 155,450	\$ 156,885	\$ 152,353	\$ 4,532
Engineering fees . . . . .	1,750	2,350	2,205	145



## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (continued):				
Public works (continued):				
NPDES compliance . . . . .	10,000	9,000	8,330	670
Green Vision program . . . . .	8,500	13,200	13,023	177
Street lighting . . . . .	2,700	2,900	2,662	238
Refuse collection & No HAZ . . . . .	124,070	124,720	126,435	(1,715)
Tri-Party Project . . . . .	9,000	36,527	36,527	
Total public works . . . . .	\$ 311,470	\$ 345,582	\$ 341,535	\$ 4,047
Culture and recreation - sanctuary . . . . .	14,000	24,100	24,254	(154)
Other:				
Payroll taxes . . . . .	70,200	72,500	74,314	(1,814)
Insurance . . . . .	70,000	62,000	57,682	4,318
Hospitalization insurance . . . . .	212,500	180,000	162,280	17,220
Dental insurance . . . . .	14,000	11,250	10,772	478
Optical insurance . . . . .	3,750	2,550	2,444	106
Group insurance . . . . .	15,000	14,750	14,297	453
Retirement plan . . . . .	120,200	135,825	132,438	3,387
Health care reimbursements . . . . .	7,500	23,250	19,373	3,877
	\$ 513,150	\$ 502,125	\$ 473,600	\$ 28,525
Capital outlay - City Hall and grounds . . . . .	2,500	800	784	16
Total expenditures . . . . .	\$ 2,206,334	\$ 2,283,111	\$ 2,239,822	\$ 43,289
Excess of revenues over expenditures . . . . .	\$ 79,877	\$ 58,244	\$ 99,015	\$ 40,771
Other financing sources (uses):				
Operating transfers in . . . . .	47,500	35,000		(35,000)
Operating transfers out . . . . .	(127,300)	(118,000)	(118,000)	
Total other financing sources (uses) . . . . .	\$ (79,800)	\$ (83,000)	\$ (118,000)	\$ (35,000)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 77	\$ (24,756)	\$ (18,985)	\$ 5,771
Fund balance - July 1, 2007 . . . . .	1,042,779	1,042,779	1,042,779	
Fund balance - June 30, 2008 . . . . .	\$ 1,042,856	\$ 1,018,023	\$ 1,023,794	\$ 5,771

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenues:</b>				
State sources - Public Act 51 . . . . .	\$ 80,000	\$ 81,500	\$ 81,504	\$ 4
Interest on investments . . . . .	1,100	1,500	1,483	(37)
Other - reimbursement . . . . .		200	205	5
<b>Total revenues . . . . .</b>	<b>\$ 81,100</b>	<b>\$ 83,200</b>	<b>\$ 83,172</b>	<b>\$ (28)</b>
<b>Expenditures:</b>				
Salaries and wages . . . . .	18,000	14,000	14,097	(97)
Routine purchases . . . . .	15,000	11,700	10,756	944
Purchased services . . . . .	9,000	21,000	20,949	51
Audit fees . . . . .	300	700	700	
Equipment rental . . . . .	15,000	17,000	16,986	14
<b>Total expenditures . . . . .</b>	<b>\$ 57,300</b>	<b>\$ 64,400</b>	<b>\$ 63,488</b>	<b>\$ 912</b>
Excess of revenues over expenditures . . . . .	\$ 23,800	\$ 18,800	\$ 19,684	\$ 884
Other financing uses - transfer to Local Road Fund	(23,800)	(23,800)	(23,800)	
Excess of revenues over (under) expenditures and other uses . . . . .	\$	\$ (5,000)	\$ (4,116)	\$ 884
Fund balance - July 1, 2007 . . . . .	23,998	23,998	23,998	
Fund balance - June 30, 2008 . . . . .	\$ 23,998	\$ 18,998	\$ 19,882	\$ 884

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
LOCAL ROAD FUND

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources:				
Public Act 51 . . . . .	\$ 55,000	\$ 56,675	\$ 56,678	\$ 3
Metro Authority . . . . .	6,000	6,500	6,512	12
Interest on investments . . . . .	6,000	2,625	2,684	59
Other - reimbursement . . . . .		23,300	23,295	(5)
Total revenues . . . . .	\$ 67,000	\$ 89,100	\$ 89,169	\$ 69
Expenditures:				
Salaries and wages . . . . .	22,000	18,000	18,656	(656)
Routine purchases . . . . .	16,000	11,500	9,751	1,749
Purchased services . . . . .	162,200	192,700	153,074	39,626
Audit fees . . . . .	600	700	700	
Equipment rental . . . . .	20,000	20,000	20,651	(651)
Total expenditures . . . . .	\$ 220,800	\$ 242,900	\$ 202,832	\$ 40,068
Excess of revenues over (under) expenditures . . . . .	\$ (153,800)	\$ (153,800)	\$ (113,663)	\$ 40,137
Other financing sources:				
Transfer from General Fund . . . . .	57,300	78,000	78,000	
Transfer from Major Road Fund . . . . .	17,500	23,800	23,800	
Transfer from Capital Project Fund . . . . .	27,000			
Total other financing sources . . . . .	\$ 101,800	\$ 101,800	\$ 101,800	\$
Excess of revenues and other sources over (under) expenditures . . . . .	\$ (52,000)	\$ (52,000)	\$ (11,863)	\$ 40,137
Fund balance - July 1, 2007 . . . . .	122,054	122,054	122,054	
Fund balance - June 30, 2008 . . . . .	\$ 70,054	\$ 70,054	\$ 110,191	\$ 40,137

OTHER SUPPLEMENTAL INFORMATION

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue Funds	Capital Project Fund Elmgate Paving	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents . . . . .	\$ 543,535	\$ 13,855	\$ 557,390
Receivables - assessment receivables . . . . .		11,667	11,667
Prepaid expenses . . . . .	5,000		5,000
Total assets . . . . .	<u>\$ 548,535</u>	<u>\$ 25,522</u>	<u>\$ 574,057</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable . . . . .	\$ 3,604	\$	\$ 3,604
Deferred revenue . . . . .		11,667	11,667
Due to other funds . . . . .	16,003	282	16,285
Due to other governments . . . . .	23,258		23,258
Total liabilities . . . . .	\$ 42,865	\$ 11,949	\$ 54,814
Fund balances:			
Reserved . . . . .	5,000	13,573	18,573
Unreserved . . . . .	500,670		500,670
Total fund balances . . . . .	<u>\$ 505,670</u>	<u>\$ 13,573</u>	<u>\$ 519,243</u>
Total liabilities and fund balance . . . . .	<u>\$ 548,535</u>	<u>\$ 25,522</u>	<u>\$ 574,057</u>

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
JUNE 30, 2008

	Building Fund	Drug Forfeiture Fund	Library Fund	Capital Improvement Fund
<b>ASSETS</b>				
Cash and cash equivalents. . . . .	\$ 21,163	\$ 834	\$ 24,344	\$ 426,517
Prepaid expenses . . . . .				
Total assets . . . . .	<u>\$ 21,163</u>	<u>\$ 834</u>	<u>\$ 24,344</u>	<u>\$ 426,517</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable . . . . .	\$ 3,604	\$	\$	\$
Due to other funds . . . . .	11,003			
Due to other governments . . . . .			23,258	
Total liabilities. . . . .	\$ 14,607	\$	\$ 23,258	\$
Fund balances:				
Reserved . . . . .				
Unreserved . . . . .	6,556	834	1,086	426,517
Total fund balances. . . . .	<u>\$ 6,556</u>	<u>\$ 834</u>	<u>\$ 1,086</u>	<u>\$ 426,517</u>
Total liabilities and fund balances. . . . .	<u>\$ 21,163</u>	<u>\$ 834</u>	<u>\$ 24,344</u>	<u>\$ 426,517</u>

Community Development Grant Fund	Retiree Healthcare Fund	OLSA Fund	Total Non-major Special Revenue Funds
\$	\$ 70,140	\$ 537	\$ 543,535
		5,000	5,000
\$	\$ 70,140	\$ 5,537	\$ 548,535
\$	\$	\$	\$ 3,604
		5,000	16,003
			23,258
\$	\$	\$ 5,000	\$ 42,866
		5,000	5,000
	70,140	(4,463)	500,670
\$	\$ 70,140	\$ 537	\$ 505,670
\$	\$ 70,140	\$ 5,537	\$ 548,535

## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds Elmgate Paving	Total Non-Major Governmental Funds
<b>Revenues:</b>			
Taxes . . . . .	\$ 116,016	\$	\$ 116,016
Licenses and permits . . . . .	86,741		86,741
Federal sources . . . . .	12,909		12,909
Fines and forfeitures . . . . .	144		144
Interest . . . . .	16,331	1	16,332
Other . . . . .	30,110	18,333	48,443
<b>Total revenues . . . . .</b>	<b>\$ 262,251</b>	<b>\$ 18,334</b>	<b>\$ 280,585</b>
<b>Expenditures:</b>			
General government . . . . .	3,000		3,000
Public safety . . . . .	97,547		97,547
Public works . . . . .	27,685	4,761	32,446
Health and welfare . . . . .	12,909		12,909
Culture and recreation . . . . .	116,181		116,181
<b>Total expenditures . . . . .</b>	<b>\$ 257,322</b>	<b>\$ 4,761</b>	<b>\$ 262,083</b>
<b>Excess of revenues over expenditures . . . . .</b>	<b>\$ 4,929</b>	<b>\$ 13,573</b>	<b>\$ 18,502</b>
<b>Other financing sources - transfer from other funds . . . . .</b>	<b>40,000</b>		<b>40,000</b>
<b>Excess of revenues and other sources over expenditures . . . . .</b>	<b>\$ 44,929</b>	<b>\$ 13,573</b>	<b>\$ 58,502</b>
<b>Fund balance - July 1, 2007 . . . . .</b>	<b>460,741</b>		<b>460,741</b>
<b>Fund balance - June 30, 2008 . . . . .</b>	<b>\$ 505,670</b>	<b>\$ 13,573</b>	<b>\$ 519,243</b>



## CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2008

	Building Fund	Drug Forfeiture Fund	Library Fund	Capital Improvement Fund
Revenues:				
Taxes . . . . .	\$	\$	\$ 116,016	\$
Licenses and permits . . . . .	86,741			
Federal sources . . . . .				
Fines and forfeitures . . . . .	144			
Interest . . . . .	621	9	86	15,151
Other . . . . .				
Total revenues . . . . .	\$ 87,506	\$ 9	\$ 116,102	\$ 15,151
Expenditures:				
General government . . . . .				600
Public safety . . . . .	89,772	200		
Public works . . . . .				
Health and welfare . . . . .				
Culture and recreation . . . . .			116,181	
Total expenditures . . . . .	\$ 89,772	\$ 200	\$ 116,181	\$ 600
Excess of revenues over (under) expenditures . . . . .	\$ (2,266)	\$ (191)	\$ (79)	\$ 14,551
Other financing sources - transfer from General Fund . . . . .				
Excess of revenues and other sources over (under) expenditures . . . . .	\$ (2,266)	\$ (191)	\$ (79)	\$ 14,551
Fund balance - July 1, 2007 . . . . .	8,822	1,025	1,185	411,966
Fund balance - June 30, 2008 . . . . .	\$ 6,556	\$ 834	\$ 1,086	\$ 426,517

Community Development Grant Fund	Retiree Healthcare Fund	OLSA Fund	Total Non-major Special Revenue Funds
\$	\$	\$	\$
			116,016
			86,741
12,909			12,909
			144
	439	25	16,331
		30,110	30,110
\$ 12,909	\$ 439	\$ 30,135	\$ 262,251
	2,400		3,000
	3,000	4,575	97,547
	2,400	25,285	27,685
12,909			12,909
			116,181
\$ 12,909	\$ 7,800	\$ 29,860	\$ 257,322
\$	\$ (7,361)	\$ 275	\$ 4,929
	40,000		40,000
\$	\$ 32,639	\$ 275	\$ 44,929
	37,501	262	460,741
\$	\$ 70,140	\$ 537	\$ 505,670

# JANZ & KNIGHT, P.L.C.

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MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 2008

City Council and Management  
City of Orchard Lake Village  
3955 Orchard Lake Road  
Orchard Lake, Michigan 48323

Dear City Council:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orchard Lake Village as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Orchard Lake Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

The adoption of the Michigan Uniform Local Budgeting Act (Act No. 621, Public Acts of 1978), has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amounts. We noted that the budget was amended during the fiscal year in an attempt to comply with the budget requirements. As previously noted, despite the amendments, expenditures exceeded budgeted amounts in various activities. Listed below are the significant budget overruns:

<u>Fund</u>	<u>Activity</u>	<u>Amended Budget</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Assessing	\$42,700	\$ 49,964	\$ 7,264
Retiree Health Care	Health care		7,800	7,800

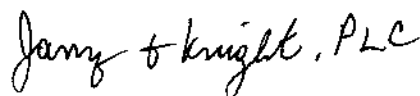
Because of the limited office personnel many internal controls are impractical due to the lack of segregation of duties. It is our recommendation that the City Council continuously monitor internal controls and implement as many controls possible to offset risks regarding collections, disbursements, and recording of accounting transactions.

As a result of audit procedures we identified a discrepancy in the total amount of debt payments made compared with scheduled amortized debt payments. During the year the City was charged a debt service payment that reflected a lower amount because of monies held by the County. We recommend that all debt payments be reconciled with debt amortization schedules, and if necessary, any variances be accounted for.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies which constitute a material weakness.

This communication is intended solely for the information and use of the City Council and Management, and others within the City, and not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants

J&K/srz